

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

In City Council

ORDINANCE

An Ordinance Amending the Code of Ordinances City of Lowell, Massachusetts, with respect to Chapter 272, Article VI §272-87 entitled "Annual Sewer Use Charge".

It is necessary to amend §272-87 entitled "Annual Sewer Use Charge" with respect to fees.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOWELL, as follows:

"The Code of Ordinances of the City of Lowell, Massachusetts", adopted by the City Council on December 23, 2008, as amended, is hereby further amended, with respect to Chapter 272 entitled "Water and Sewers", as follows:

§272-87. Annual Sewer Use Charge is hereby amended as follows:

By deleting the rate schedule listed and substituting the following rates, effective July 1, 2023:

<u>Number of hundred cubic feet of wastewater discharge per quarter</u>	<u>Rate per hundred cubic feet per quarter</u>
First 50 (base rate)	5.64
51 – 100	6.02
101 – 200	6.11
201 – 500	6.21
Over 500	6.30

Minimum wastewater charge equal to rate charged for 1400 cubic feet based on above rate schedule.

All provisions of the Code of the City of Lowell, as amended, which are consistent with this Ordinance shall continue in effect but all provisions of said Code inconsistent herewith are repealed.

This Ordinance shall take effect upon its passage in accordance with the provisions of Chapter 43 of the General Laws of the Commonwealth of Massachusetts, as amended, but as specified herein, the rate provisions become effective, retroactive, to July 1, 2023.

APPROVED AS TO FORM:

Corey Williams
City Solicitor




Conor Baldwin
Chief Financial Officer

Austin Ball
Deputy CFO

MEMORANDUM

TO: Thomas A. Golden, Jr., City Manager

FROM: Conor Baldwin, Chief Financial Officer 

CC: Mark Young, Executive Director Wastewater

DATE: June 6, 2023

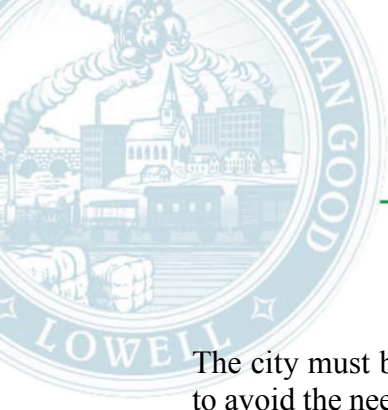
SUBJECT: FY24 Enterprise Fund Rates and Forecast – Water Rate Recommendation

During the final preparations for the FY2024 operating budgets for the general fund and the city's three enterprise funds (water, sewer, and parking); the finance department updated the existing forecast models to incorporate oncoming debt service and other rising fixed costs. This annual process is an important component of the city's financial plan and helps assess the short and medium term fiscal health of each fund. Over the course of the past year, the finance department has worked with the management team at the water and sewer departments and with outside engineering and CPA firms to fine tune the cost projections associated with the \$45 million and \$67 million loan orders approved by the City Council in June of 2019 for water and sewer capital improvements, respectively.

Water & Sewer Enterprise Funds – Background

Based on the most recent certification by the Department of Revenue ("DOR"), the retained earnings for the water enterprise is approximately \$2.7 million and the retained earnings for the wastewater enterprise is \$2.2 million. An undesignated fund balance equal to 10% or greater of the annual revenue for the fund is a best practice according to the Government Finance Officers Association ("GFOA"). The accumulated balances in both funds will quickly deteriorate, though, after the additional debt service associated with utility infrastructure capital improvement plan ("CIP") comes online.

Previously, in the water fund, the fund balance had been able to sustain the expenses based largely on increased revenue from the installation of more accurate meter reading equipment. A further benefit to the fund in the past has been revenue from the sale of solar renewable energy credits (SREC), which has provided an additional revenue stream other than local usage. In the sewer fund, a renegotiated revenue pact with surrounding towns whose wastewater is treated by Lowell has helped mitigate the impact on local users. However, in both funds an immediate increase, is necessary to sustain the level of retained earnings and prevent the necessity of a larger year-to-year increase when the city permanently finances the capital repairs from phase 3 of the CIP.



Conor Baldwin
Chief Financial Officer

Austin Ball
Deputy CFO

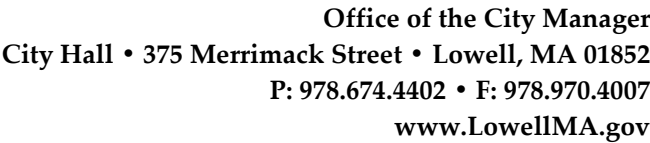
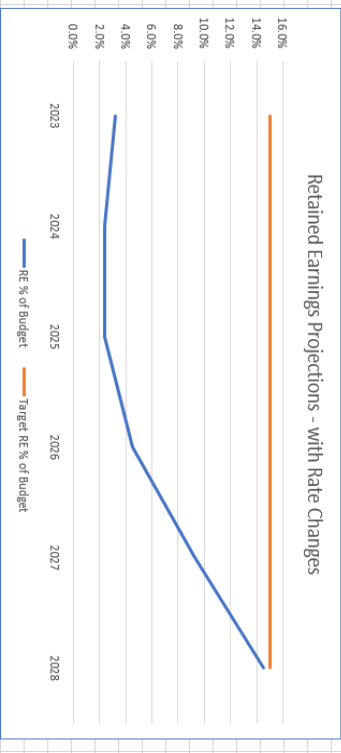
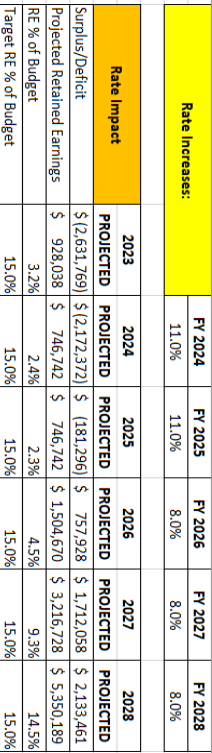
The city must be fiscally prudent when looking to the future by taking proactive fiscal measures to avoid the need to drastically raise rates in any one single year. A series of incremental increases to the water and sewer rates will aid in mitigating the impact to local ratepayers. By employing this method, each fund can gradually build-up the revenue capacity to absorb the full debt service costs for the capital improvements. According to the most recent Tighe & Bond survey, which compiles water rates and average annual costs for all communities in Massachusetts; the City of Lowell has among the lowest water and sewer rates in the Commonwealth. The City has been able to take advantage of low-interest financing through the Massachusetts Clean Water Trust ("MCWT") and will continue to work with the State Treasurer's Office to take advantage of loan forgiveness programs for projects, both clean water and drinking water, financed through the Trust.

Sewer Rate – Analysis & Recommendation

Enclosed is an analysis of the sewer enterprise fund's historic budgetary performance and the five-year financial forecast. According to the baseline analysis, without any rate increase in the water enterprise, the fund will become insolvent after FY2024, depending on annual budgetary performance. If this were to happen, annual operating deficit would need to be raised on the subsequent year's tax rate, according to the rules established by the DOR.

The recommendation to increase revenues necessary to fund operations and build capacity for oncoming capital debt service is also enclosed. I have sent the necessary documentation to the law department to prepare an amendment to the Ordinance which governs Lowell's sewer fees for a proposal to the City Council to accompany the FY2024 budget. Please see the attached revenue analysis for further detail.

Please let me know if you have further questions.

[illegible]

The City of **LOWELL** *Alive. Unique. Inspiring.*



Thomas A. Golden, Jr.
City Manager

Description	2020	2021	2022	2023	2023	2024	2024	2025	2026	2027	2028
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	PROJECTED	BUDGETED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
Revenues and Other Sources											
Usage Charges	\$16,867,646	\$17,170,884	\$17,323,971	\$17,800,000	\$17,960,668	\$19,936,000	\$17,960,668	\$17,960,668	\$17,960,668	\$17,960,668	\$17,960,668
Liens	\$1,218,383	\$1,086,035	\$1,009,108	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
Seepage	\$1,993,195	\$2,062,033	\$2,241,556	\$2,000,000	\$2,000,000	\$2,000,000	\$2,100,000	\$2,200,000	\$2,300,000	\$2,400,000	\$2,500,000
Junk/Scrap Metal	\$749	\$4,223	\$3,415	-	-	-	-	-	-	-	-
Laboratory Analysis	\$19,561	\$12,806	\$9,614	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000
Tewksbury Assessment	\$988,493	\$1,333,681	\$1,361,881	\$1,500,000	\$1,500,000	\$1,500,000	\$1,575,000	\$1,653,750	\$1,736,438	\$1,823,259	\$1,914,422
Chelmsford Assessment	\$1,262,743	\$1,702,578	\$1,963,109	\$1,900,000	\$1,900,000	\$1,900,000	\$1,995,000	\$2,094,750	\$2,199,488	\$2,309,462	\$2,424,935
Dracut/Tyngsborough Assessment	\$1,954,038	\$1,266,571	\$1,793,413	\$1,912,000	\$1,912,000	\$1,912,000	\$2,007,600	\$2,107,380	\$2,213,379	\$2,324,048	\$2,440,250
Miscellaneous Revenue (all other revenues)	\$210,279	\$164,553	\$335,755	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Sub Total	\$24,515,086	\$24,803,365	\$26,041,824	\$26,431,000	\$26,591,668	\$28,567,000	\$26,957,268	\$27,336,148	\$27,728,972	\$28,136,437	\$28,559,276
Retained Earnings	-	-	-	\$2,655,080	-	\$2,539,289	-	-	-	-	-
Transfers/Adjustments	-	-	\$1,000,000	\$258,169	-	-	-	-	-	-	-
Total Revenues and Other Sources	\$24,515,086	\$24,803,365	\$27,041,824	\$29,344,249	\$26,591,668	\$31,106,289	\$26,957,268	\$27,336,148	\$27,728,972	\$28,136,437	\$28,559,276
Expenditures and Other Uses											
Salaries and Wages	\$3,084,258	\$3,041,778	\$3,216,586	\$3,647,081	\$3,647,081	\$3,832,370	\$3,832,370	\$3,947,241	\$4,065,761	\$4,187,734	\$4,313,366
Ordinary Expenses	\$8,057,839	\$8,487,620	\$9,430,166	\$10,862,530	\$10,862,530	\$12,884,617	\$12,884,617	\$13,142,309	\$13,405,156	\$13,673,259	\$13,946,724
Existing Long Term Debt Service	\$7,026,054	\$8,377,828	\$8,443,772	\$8,674,730	\$8,588,924	\$8,771,512	\$8,713,025	\$8,613,628	\$8,225,037	\$8,133,591	\$8,037,236
New Long Term Debt Service	-	-	-	-	-	-	-	-	690,783	1,649,441	4,035,161
Short Term Debt (Related to New Debt Service)	-	-	-	-	-	-	57,512	317,513	818,723	856,371	167,214
Sub Total	\$18,168,151	\$19,907,225	\$21,090,924	\$23,184,341	\$23,098,535	\$25,488,499	\$25,487,524	\$26,020,792	\$27,205,459	\$28,500,396	\$30,499,702
Indirect Costs	\$5,023,683	\$5,023,201	\$7,211,038	\$6,124,902	\$6,124,902	\$5,617,790	\$5,617,790	\$5,786,324	\$5,959,913	\$6,138,711	\$6,322,872
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures and Other Uses	\$23,191,834	\$24,930,426	\$28,301,962	\$29,309,243	\$29,223,437	\$31,106,289	\$31,105,314	\$31,807,115	\$33,165,373	\$34,639,107	\$36,822,574
Excess (Deficiency) of Revenues and Available Funds > Expenditures and Other Uses	\$1,323,252	\$(127,062)	\$(1,260,138)	\$35,006	\$(2,631,769)	-	\$(4,148,046)	\$(4,470,967)	\$(5,436,401)	\$(6,502,670)	\$(8,263,298)
Retained Earnings Summary											
Certified Retained Earnings as of July 1, 2022			\$2,818,930								
Available Retained Earnings Start of FY					\$2,818,930						
Appropriations since Certification					-						
Close out Prior Year Reserves					\$2,913,249				\$5,436,401	\$6,502,670	\$8,263,298
Create Following Year's Reserves					\$(4,148,046)				\$(6,502,670)	\$(8,263,298)	\$(8,263,298)
Current Year Surplus/(Deficit)					\$12,631,769				\$(5,436,401)	\$(6,502,670)	\$(8,263,298)
Projected Retained Earnings Balance					\$(1,047,636)				\$(17,457,674)	\$(25,720,972)	\$(33,984,270)
Projected Retained Earnings Balance as % of Bu			10.0%		-3.6%		-17.7%	-34.4%	-52.6%	-74.3%	-92.3%



Thomas A. Golden, Jr.
City Manager

Description	2017	2018	2019	2020	2021	2022	2023	2023	2024	2024	2025	2026	2027	2028
Revenues and Other Sources	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGETED	PROJECTED	BUDGETED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
Usage Charges	\$13,989,479	\$15,685,090	\$16,478,305	\$16,867,646	\$17,170,884	\$17,323,971	\$17,800,000	\$17,960,668	\$19,936,000	\$19,936,342	\$22,129,339	\$23,899,668	\$25,611,661	\$27,676,594
Liens	\$ 983,082	\$ 1,066,411	\$ 1,208,422	\$ 1,218,383	\$ 1,086,035	\$ 1,009,108	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,221,000	\$ 1,355,310	\$ 1,463,735	\$ 1,580,834
Seepage	\$ 1,780,842	\$ 1,926,779	\$ 2,275,745	\$ 1,993,195	\$ 2,062,033	\$ 2,241,556	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,100,000	\$ 2,200,000	\$ 2,300,000	\$ 2,400,000	\$ 2,500,000
Junk/Scrap Metal	\$ 1,183	\$ 1,444	\$ 5,220	\$ 749	\$ 4,223	\$ 3,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Laboratory Analysis	\$ 19,159	\$ 20,225	\$ 21,672	\$ 19,561	\$ 12,806	\$ 9,614	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000
TownSurvey Assessment	\$ 1,347,901	\$ 603,301	\$ 1,694,438	\$ 988,493	\$ 1,333,681	\$ 1,361,881	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,575,000	\$ 1,653,750	\$ 1,736,438	\$ 1,823,259	\$ 1,914,422
Chenford Assessment	\$ 1,651,171	\$ 1,393,950	\$ 1,319,985	\$ 1,262,743	\$ 1,702,578	\$ 1,963,109	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000	\$ 1,995,000	\$ 2,094,750	\$ 2,199,488	\$ 2,309,462	\$ 2,424,935
Dracut/Tyngborough Assessment	\$ 1,223,032	\$ 1,542,190	\$ 1,048,283	\$ 1,954,038	\$ 1,266,571	\$ 1,793,413	\$ 1,912,000	\$ 1,912,000	\$ 1,912,000	\$ 2,007,600	\$ 2,107,980	\$ 2,213,379	\$ 2,324,048	\$ 2,440,250
Miscellaneous Revenue (all other revenues)	\$ 138,694	\$ 245,973	\$ 265,874	\$ 210,279	\$ 164,553	\$ 335,755	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Sub Total	\$21,132,544	\$22,485,361	\$24,617,945	\$24,515,086	\$24,603,365	\$26,041,824	\$26,631,000	\$26,591,668	\$28,567,000	\$28,932,942	\$31,625,819	\$33,923,300	\$36,551,165	\$38,956,035
Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,655,080	\$ -	\$ 2,539,289	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers/Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 258,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues and Other Sources	\$21,132,544	\$22,485,361	\$24,617,945	\$24,515,086	\$24,603,365	\$27,041,824	\$29,344,249	\$26,591,668	\$31,106,289	\$28,932,942	\$31,625,819	\$33,923,300	\$36,551,165	\$38,956,035
Expenditures and Other Uses														
Salaries and Wages	\$ 3,190,612	\$ 3,233,541	\$ 3,263,531	\$ 3,084,258	\$ 3,041,778	\$ 3,216,986	\$ 3,647,081	\$ 3,647,081	\$ 3,832,370	\$ 3,832,370	\$ 3,947,341	\$ 4,065,761	\$ 4,187,734	\$ 4,313,366
Ordinary Expenses	\$ 7,349,485	\$ 7,012,149	\$ 7,120,584	\$ 8,057,839	\$ 8,487,620	\$ 9,430,166	\$10,862,590	\$10,862,590	\$12,884,617	\$12,884,617	\$13,142,309	\$13,405,156	\$13,673,259	\$13,946,724
Existing Long Term Debt Service	\$ 6,462,639	\$ 6,398,879	\$ 7,281,163	\$ 7,026,054	\$ 8,377,828	\$ 8,443,772	\$ 8,674,730	\$ 8,938,924	\$ 8,771,512	\$ 8,713,025	\$ 8,613,628	\$ 8,225,037	\$ 8,133,591	\$ 8,037,236
New Long Term Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short Term Debt (Related to New Debt Service)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$16,996,736	\$16,644,570	\$17,665,278	\$18,168,151	\$19,907,225	\$21,090,924	\$23,184,341	\$23,108,535	\$25,488,699	\$25,887,524	\$26,020,792	\$27,205,459	\$28,500,396	\$30,499,702
Indirect Costs	\$ 3,050,277	\$ 4,919,831	\$ 5,023,683	\$ 5,023,683	\$ 5,023,201	\$ 7,211,038	\$ 6,124,902	\$ 6,124,902	\$ 5,617,790	\$ 5,617,790	\$ 5,786,324	\$ 5,959,913	\$ 6,138,711	\$ 6,322,872
Transfers/Adjustments	\$ 1,593,059	\$ 373,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Uses	\$21,640,072	\$21,937,672	\$22,688,961	\$23,191,834	\$24,930,426	\$28,301,962	\$29,309,243	\$29,223,437	\$31,106,289	\$31,055,314	\$31,807,115	\$33,165,373	\$34,639,107	\$36,822,574
Excess (Deficiency) of Revenues and														
Available Funds > Expenditures and Other Uses	\$ (507,528)	\$ 547,690	\$ 2,128,984	\$ 1,323,252	\$ (127,062)	\$ (1,260,138)	\$ 35,006	\$ (2,631,769)	\$ -	\$ (2,172,372)	\$ (181,296)	\$ 757,928	\$ 1,712,058	\$ 2,133,461
Retained Earnings Summary														
Certified Retained Earnings as of July 1, 2022						\$ 2,818,930								
Available Retained Earnings Start of FY								\$ 2,818,930						
Appropriations since Certification								\$ -						
Close out Prior Year Reserves								\$ 2,913,249						
Create Following Year's Reserves								\$ (2,172,372)						
Current Year Surplus/(Deficit)								\$ (2,631,769)						
Projected Retained Earnings Balance								\$ 928,038						
Projected Retained Earnings Balance as % of Budget						10.0%		3.2%			2.4%	2.3%	4.5%	9.3%

Thomas A. Golden, Jr.
City Manager

WASTEWATER ENTERPRISE SUMMARY

						FY24 Prelim.	
	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Recap	Estimate	Estimate	FY24 Final Estimate
Aggregate Wastewater Receipts	24,515,352	24,803,365	27,041,824	26,431,000	26,431,000	30,167,000	
Personal Services	3,084,258	3,041,778	3,216,986	3,647,082	3,917,370	3,832,370	
Ordinary Expenses	8,057,839	8,487,620	9,430,166	10,639,367	13,725,767	12,884,617	
Debt Service	7,026,054	8,377,828	8,443,772	8,674,730	8,771,512	8,771,512	
Indirect Costs	5,023,683	5,023,201	7,211,038	6,124,901	6,948,505	6,948,505	
Transfers/Appropriation from Retained Earnings	181,056	2,518,717	(278,455)				
Total Expenditures	23,372,889	27,449,143	28,023,507	29,086,080	33,363,153	32,437,003	
Surplus/(Deficit)	1,142,462	(2,645,778)	(981,683)	(2,655,080)	(6,932,153)	(2,270,003)	
Beginning Fund Balance	5,303,929	6,446,391	3,800,613	2,818,930	163,850	163,850	
Estimated Operations				(2,655,080)	(6,932,153)	(2,270,003)	
Projected Ending Fund Balance (must be < 22 R.E.)	5,303,929	6,446,391	3,800,613	163,850	(6,768,303)	(2,106,153)	
Actual Operations	1,142,462	(2,645,778)	(981,683)				
Actual Ending Fund Balance (R.E.) (must be >0)	6,446,391	3,800,613	2,818,930	163,850	(6,768,303)	(2,106,153)	





Thomas A. Golden, Jr.
City Manager

June 6th, 2023

Mayor Sokhary Chau
And
Members of the Lowell City Council

Dear Mayor Chau and Members of the Lowell City Council,

In 2019, the City Council approved a \$67 million loan authorization financed by the sewer enterprise fund in order to fund various capital expenses included in phase 3 of the sewer long term capital plan. These improvements were critical to ensure the resiliency of the city's sewer and drainage infrastructure. Clean water is an important component of public health which has—since the onset of COVID-19 become ever more important.

The COVID-19 pandemic has taken on some distressing patterns: minority communities in Gateway communities like Lowell were infected at a disproportionately high rate and hotspots of infections in some of the country's older cities, like Lowell. Underpinning these patterns is a drinking water and clean water (i.e. "wastewater") infrastructure system in the United States that is outdated, unequal, and inadequate for ensuring public health.

Thanks in large part to the renegotiation of the city's inter-municipal agreements with the surrounding towns whose water is treated at the Lowell Regional Wastewater Treatment Plant, the enterprise fund for sewer has performed well over the last few years but has begun to plateau. Revenues have increased due to a better accounting of usage and allocation of debt service costs associated with the treatment system to the towns. While the fund continues to have positive annual budgetary results; the additional debt service associated with phase 2 construction, which mostly financed sewer separation work will quickly deteriorate the accumulated retained earnings in the fund. To mitigate this impact, the city continues to work with the Massachusetts Clean Water Trust ("MCWT") to pursue low-interest financing on eligible water projects.

The proposed amendment is modest and, the timing is such that the additional debt service can be incorporated over time without over burdening the users. The true purpose of enterprise accounting is such that the users pay for the costs of the service in a way that is proportional to their usage. This method is far more fair and equitable than the alternative: for the cost of the water operation to be borne by all taxpayers uniformly. By employing enterprise fund accounting, the rates are set commensurate with the operation and the city can be sure that entities which pay for utilities like water and sewer, but are exempt from taxes under state law are paying their fair share



Thomas A. Golden, Jr.
City Manager

Attached please find a vote to amend the sewer rate for FY24. The change in rate is detailed in the table below:

Number of Hundred Cubic Feet Per Quarter	Current Rate Per Hundred Cubic Feet Per Quarter	New Rate Per Hundred Cubic Feet Per Quarter
0 – 50 (min. 14 hcf)	5.087	5.69
51-100	5.371	6.02
101-200	5.455	6.11
201-500	5.546	6.21
Over 500	5.628	6.30

Sincerely,

Thomas A. Golden, Jr.
City Manager

Cc: Conor Baldwin, Chief Financial Officer
Mark Young, Executive Director Wastewater Department